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## THEY ARE CALLED "MOST TEMPTED OF UNCLE SAM'S EMPLOYEES"

Men Connected With Bureau of Internal Revenue are Beset by Pitfalls, Says Commissioner

By William Atherton Du Puy

"THE most tempted men in the service of Uncle Sam," said the Commissioner of Internal Revenue, "are the employees of this bureau. Telling along through the infinite detail of the collection of \$5,000,000,000 a year for the support of the Government on the meager salary provided they find around every corner a whispering serpent dangling before their eyes the possibility of attaining great wealth and attempting to induce them to reach out for the forbidden apple. It requires fortitude, character, that sort of honesty which is born in real men, to resist these temptations."

David H. Blair, of North Carolina, the Commissioner of Internal Revenue in the Harding administration, when I went to see him had been two months on this job. Before he came he had heard something of its difficulties. Everybody who is familiar with the operations of Government bureaus seems ready to assert that the post at the head of the Bureau of Internal Revenue is the hardest job in the Government service. Mr. Blair, who had heard of these difficulties, approached the task with due humility.

This official is charged, in the first place, with the collection of your income tax and mine and that of every other individual in the Nation who earns more than \$1000 a year. It is his business to see that every one of these individuals sends in a return and assure himself in each of this infinite number of cases that the reported income has been correct. Now, just offhand, do you not think that that is a task of such infinite detail as to be impossible?

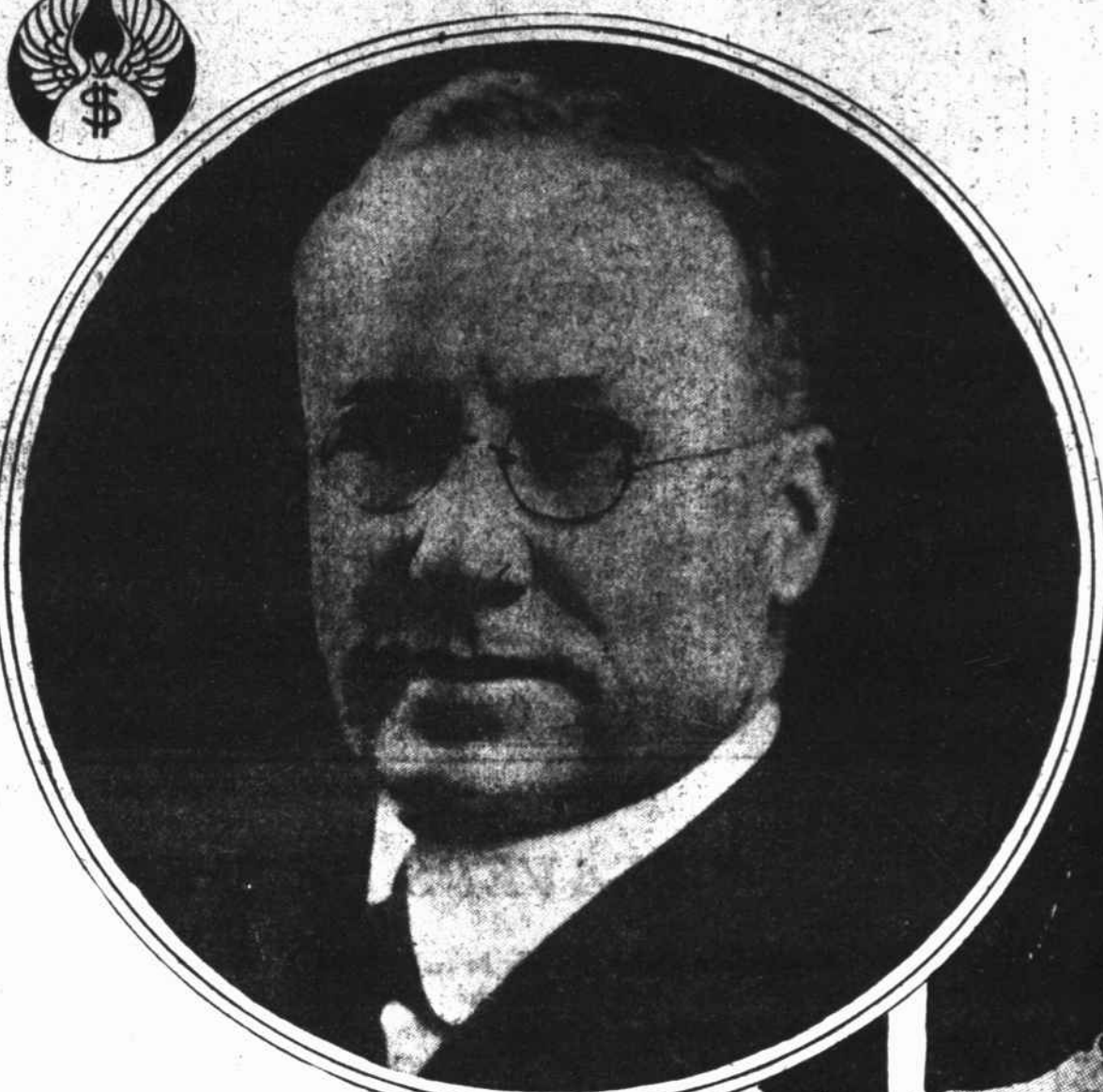
Then on top of this there is the matter of the income taxes to be collected. This means that he must know exactly what profits all corporations in the United States are making and whether or not they are returning the proper amounts to the Government on these profits. To be sure in the beginning there were many corporations who did not themselves know the extent of their earnings. The law required these people to put themselves on an understanding business basis, and thus rendered a service to them which may have paid for the taxes which were collected from them. A proper accounting system, for example, may have shown a corporation that it was losing money on some phase of its opera-

a few days, apparently raising some question as to whether it should be sent. In the meantime, he gets in touch with a lawyer on the outside. He tells this lawyer that an additional assessment, perhaps of \$100,000, is to be made against this corporation. The lawyer hurries to the corporation, gives it this tip from the inside, gets himself engaged to fight the case for the corporation on a contingency basis. Whatever fees he gets from this corporation, and they sometimes are fat ones, he splits with the auditor on the inside. There are so many such opportunities that it looks as though a discriminating auditor could almost without effort operate this little game of collusion greatly to his benefit.

"As a matter of fact, the existence of a leak of this sort is immediately evident. The corporation, or its attorney, can take no step without revealing the fact that it has secured inside information. This leads the bureau to tracing the possibilities through which such a leak could have occurred, and the process of elimination soon sifts down to the guilty individual.

"The number of special assessment cases of this sort is small, however, compared with those which are raised in which a taxpayer takes issue with the bureau on the justice or the legality of certain claims that are made against him. Auditors in the Treasury Department exercise almost judicial functions. A question might arise as to whether under the law and regulations a certain claim of the Government against an individual, a great oil producer, for example, should be paid by that individual. The sum at issue might be as great as \$1,000,000. There might be much sound argument and precedent cited to show why this \$1,000,000 should not be paid. The contentions of the Government, on the other side, might be equally strong. Thus it would rest upon the auditor to determine an issue which would mean hundreds of thousands or millions of dollars to this heavy taxpayer.

"QUITE naturally it may result that the representative of this taxpayer will attempt to resort to bribery. The case has been pending before the department for a long time. The attorney and the taxpayer have come to know the auditor very well.



David H. Blair, head of the greatest collection agency in the world



tion, on some articles that it was manufacturing, and may have led to a reform of that phase of its work or its discontinuance.

Aside from these two infinitely detailed tasks the Commissioner of Internal Revenue is in charge of the enforcement of the prohibition act. And this again is a task which many individuals declare to be an impossibility. Then, aside from this, he must see to it that every man in the United States who manufactures a cigar pays a tax on it; that every drug store which sells any ice cream soda does the same; that your haberdasher, if he sells you a hat which is of such a price as to be considered a luxury, collects a tax from you on it, and that every man who collects an admission for entrance into a moving-picture show turns in 10 per cent to the Government.

SO I went to see this man Blair amidst the puzzling detail of this stupendous task, and asked him to show me a bit of the situation with which he was confronted.

"I am tackling two major problems right here in the beginning," said he. "The first is this task of assuring myself that there is adequate protection against fraud from the outside. I know full well that there are many sharpshooters who regard it as legitimate to avoid whatever payments to the Government they can, even though they realize that these payments are lawfully due. We have a big job of rounding up these tax dodgers and we intend to get them all. But, first, I want to see that my own house is in order and that every employee of the Bureau of Internal Revenue has his honest eye on straight.

"There are many ways in which a man on the inside may profit if he chooses to be crooked and if he is willing to take chances on detection. Here is a typical example:

"An auditor in the Bureau of Internal Revenue finds that a return from a corporation has been questioned and that the bureau has decided that the corporation did not pay sufficient tax back in 1919. It has been determined that the bureau will make a claim for an additional tax of \$100,000 against the corporation.

"We have a certain form letter known as the A-2 letter, which is sent out in the case of these special assessments against individuals or corporations. There are thousands of these letters going out each week. A letter of this sort calling for a large assessment comes to the desk of an auditor. That auditor has listened to temptation and decides that he will attempt to make some easy money in this case. He holds up this A-2 letter, merely keeps it on his desk for



Possibly they have lunched together, possibly they have met outside the department and social relations have been established. The agent of the taxpayer can easily make a proposition to the auditor without laying himself liable. Of course if this proposition were in such form that it could be presented as evidence this man would have violated the law. If, however, he should ask the auditor in an offhand way if he, the auditor, knew of a safe investment for \$100,000, the auditor would know what he meant, but would still have no evidence against him. If the auditor were crooked an avenue would have been opened for him. It is necessary that our auditors be men of such stability of character that temptation of this sort will not affect them. It is necessary that we should be able to detect any yielding

of an auditor to importunities of this sort and any such yielding is sure to give evidence of its existence which we attempt immediately to detect. In the last few weeks there have been a number of arrests and more discharges right here in Washington. "Another of our employees who is constantly under stress or great temptation is the field auditor. These field auditors we send about the country to examine into the reports of various individuals and corporations whom we suspect, for example, that a return on excess profits is not correct. We send this auditor to examine the accounts

of the organization in question. After making his examination, he may find a discrepancy between actual profits and reported profits. The difference between profits reported and actual profits may be such that additional tens or hundreds of thousands of dollars are due the Government. Quite naturally there then exists the temptation on the part of the tax evader to 'fix' this auditor. The temptation offered may be very great and the auditor may be very needy. We may have made a mistake in the quality of this auditor and he may slip. There is great danger to him and to the taxpayer if he does, however, because we may send another auditor to the same concern next week who may find the discrepancy and reveal the collusion. Thus would a field auditor and tax evader find themselves well on the way to the penitentiary."

"WHAT pay," I asked, "do these much-tempted individuals receive for this service that they render to the Government?"

"The pay of auditors," replied the Commissioner, "ranges from \$1800 a year to the beginners, to \$4200 a year to men who have advanced to the top of the service."

"So does it become evident that need may enhance the intensity of the temptation of these men. There is a long established esprit de corps in the Bureau of Internal Revenue which is evidenced by many of our employees and which we want to build up and intensify. Many of these men feel great pride and enthusiasm for the work in which they are engaged and for the service which they render. Their loyalty to that service is the same as the spirit of the Old Guard which dies but never surrenders."

As this new Commissioner of Internal Revenue, this man who holds the Government's most difficult job, talked with me, I attempted to take his measure—to determine what sort of man he was. A blond, blue-eyed, sturdy, middle-sized man is Commissioner

Blair, somewhat past fifty years of age. I should say. One would suspect him of being a lawyer, which he is, and one would take him further to be a lawyer with a business head on his shoulders which would lead him into associating business endeavor with the practice of his profession, and such he has done in his home community of Winston-Salem, forty miles below the Virginia line in North Carolina.

Forsyth County in North Carolina has long been a sort of Republican center in this part of the South, the former population from which Commissioner Blair came being very largely Republican. So the Commissioner has run for Congress and for various other posts on the Republican ticket in North Carolina but, quite naturally, has always been defeated. He has stood high, however, in the councils of the party and his appointment to his present position is more or less an award of patronage to a Southern Republican.

Commissioner Blair is of Quaker parentage like Herbert Hoover, A. Mitchell Palmer, Senator Arthur Capper and Uncle Joe Cannon. As a matter of fact, he and former Speaker Cannon were born in the same county and of the same group of Quakers who came to North Carolina from Pennsylvania more than a century ago, and most of whom migrated to Indiana upon the arrival of the Civil War.

"Another of the temptations," said Mr. Blair, "that constantly faces our auditors and other employees is that of profitable employment which is offered them on the outside. A man who has become thoroughly familiar with income and excess profits taxes from work in the bureau would seem to be the logical individual to show a corporation how to get past the law with the least possible expenditure. This auditor may or may not be able to render any more efficient service in making out corporation tax returns than is any other intelligent lawyer who has studied the regulations. But he may be able to make it appear to a prospective employer that he is in a position of peculiar value to him. So may he get employment on a basis very profitable to him and so may he arrange a tax return, which on the face of it shows a large saving to the corporation. That corporation may congratulate itself upon his employment at the end of the first year and may increase his remuneration for the second. About the end of the second year, however, the corporation may be surprised to receive from the Government an A-2 letter notifying it of an additional assessment, which will cover all the items that the expert has eliminated in making his return. The fact will be that the Government will have just caught up to this two-year-old report and discovered the shortages

it reported. So may the corporation find that it has accomplished nothing whatever in taking unto itself a former employee of the Internal Revenue Bureau. The possibilities of getting these fees whether they are earned or not, however, cannot repay experts to sever their connections with the department.

"ANOTHER of the methods of fraud from the inside to which we have just put a stop is that of the attorney or agent, who appears at the department, states that he is the representative of a certain taxpayer and asks to see the returns of that taxpayer. It very often has been the custom of the department to accept the individual at his face value and let him see the return. As a matter of fact he might be the agent of the taxpayer, or he might be falsely representing himself. In this way he might get to examine a certain case,

ascertain its details and its status. Then he might present himself to the taxpayer, representing himself as possessor of certain inside information in the department, reveal the facts that he had learned by his examination of the given case and so obtain employment as the representative of the taxpayer.

"We have recently made this operation impossible. Our method in doing so was to issue an order which required any attorney or agent, before he might examine any case before the department, to present his written power of attorney, which then becomes a part of the record of that case. In this way was another possibility of graft cut off.

"These are but a few examples of the possibilities of graft that we constantly face. It is my intention so to educate the public as to these methods of graft that they will become so well known that nobody will attempt to use them.

"There is much ground for the generally accepted theory that the meanest thing in the world is the anonymous letter. Ordinarily the person who writes a letter and fails to sign his name to it should be despised and should be given no consideration. In the Bureau of Internal Revenue, however, the situation is quite different as regards the anonymous letter. The conditions are peculiar. There is an extensive possibility of its use and it is serving a very important purpose for us.

"An individual, or corporation, may resort to deception that it may deprive the Government of taxes due. An employee of that corporation, being a true and loyal citizen of his Government, may resent the fraud against that Government. The employee's livelihood, however, may depend upon holding his job or his place. A greater loyalty to a Government which he loves than to an employer whom he knows to be crooked prompts this individual to write an anonymous letter to the Bureau of Internal Revenue.

"JUST now I am putting at the end of many of the letters I write a quotation from Victor Hugo which says: 'Put an end to the tedious prolongation of dead things.' This is the watch word of the second great task that is ahead of the Bureau of Internal Revenue. There are many cases three or four years old still pending before it. We are going to shake the dry bones of these cases until we rattle them into such wakefulness as will bring them up to date.

"This Bureau of Internal Revenue is not much like the agency it was a few years ago when it had little to do other than to collect the taxes on tobacco and liquor. It has overflowed its original quarters in the Treasury Building and spread here and there over the city of Washington. A splendid office structure was erected for us right across the street and was given over entirely to us. In that building people are now working in the hallways. The Bureau of Internal Revenue is also occupying six other buildings in Washington. It has 7000 employees in this city alone, and when the roll is called for all the men and women who work for it in the United States the total is run up to 20,000. Naturally, this growth has been somewhat Topsy-like and the great need is to pull the whole organization together, house it under one roof, like the great industrial plant that it is, and get it into quantity production of that thing which is its logical output, money paid in taxes for the support of the Government."